

Bad Omens

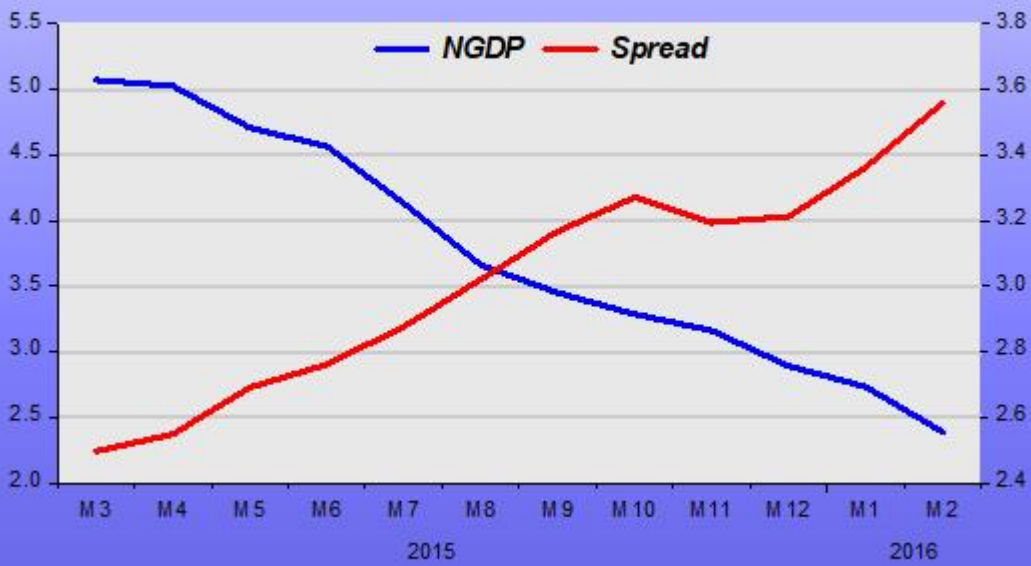
From the **WSJ**:

...With rates now rising, the Fed's actions have begun shifting investors away from riskier corporate debt.

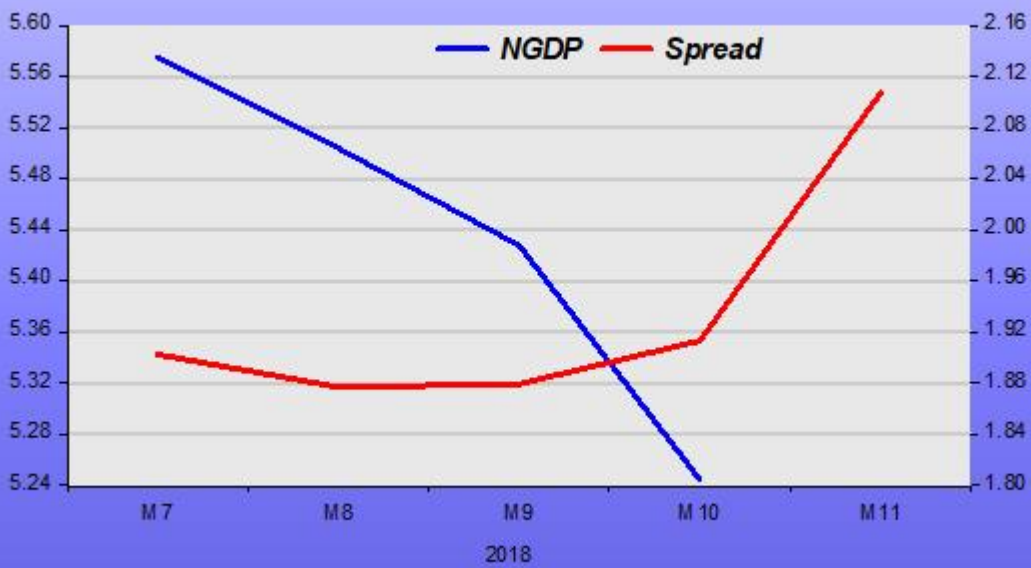
Spreads between 10-year Treasuries and medium-grade corporate debt have hit their widest point in two years, though spreads remain considerably tighter than during periods of market stress seen in 2015 and early 2016.

The "Confederate Flag" pattern appears to be reasserting itself! Could be indicating markets expect NGDP growth to keep sliding, i.e. monetary policy tightening (irrespective of interest moves by the Fed).

NGDP Growth & 10-yr Baa Spread - March 15 - Feb 16



NGDP Growth & 10-yr Baa Spread - July-Nov 2018



Note: Monthly NGDP to October from Macroeconomic Advisers – 3-mo MA of YoY growth